



*City Pension Fund for Firefighters and Police Officers
in the City of Miami Beach*



PENSION PLAN INVESTMENT POLICY

Investment Policy	Section A
Fund Guidelines	Section B
Statement of Investment Policy (Drop Accounts)	Section C

**2CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH
INVESTMENT POLICY DATED SEPTEMBER 23, 2004**

Name of Plan:	City Pension Fund for Firefighters and Police Officers in the City of Miami Beach	
Plan Sponsor:	Miami Beach, Florida	
Current Board of Trustees;	<u>Police Department</u> Lou Alberti Warren R Smith Dale A Twist	<u>Fire Department</u> Douglas Mulshine Jack Richardson, Jr Donald R Sapp
	<u>Administration</u> Debora Turner Mayra Diaz Buttacavoli	
Executive Director	Celia Borenstein Locke	
Custodian:	Fiduciary Trust International	
Money Managers:	Inverness Counsel Rhumblin Advisors Wellington Management Invesco	
Investment Consultant:	GRS Asset Consulting Group	
Actuary:	Mellon	
Accountant:	Koch, Reiss & Company	
Legal Counsel:	Cypen & Cypen	

(1) SCOPE

The investment Policy shall apply to all funds under control of the Board.. Detailed guidelines are attached to and made a part of this Investment Policy Statement.

(2) INVESTMENT OBJECTIVES

1. To obtain a reasonable total rate of return – defined as income plus realized and unrealized capital gains and losses – commensurate with the Prudent Person Rule.

2. To obtain reasonable consistency of returns on a year-to-year basis, with concern for loss of capital being paramount.
3. To have the ability to pay all benefit and expense obligations when due.
4. To maintain sufficient funding for (a) unexpected developments, (b) possible future increases in benefits and/or (c) reduction in expected returns on investment or interest rate assumptions.

(3) PERFORMANCE MEASUREMENT

The Board has specified performance measures as are appropriate for the nature and size of the assets within the Board's custody. Those performance measures are set forth in the Internal Controls section of this Investment Policy.

(4) INVESTMENT AND FUDICIARY STANDARDS

In performing its investment duties, the Board shall comply with the fiduciary standards set forth in the Employees Retirement Income Security Act of 1974, 29 U.S.C. § 1104(a)(1)(A) – (C), meaning that Board members must discharge their duties with respect to the Plan solely in the interest of participants and beneficiaries and for the exclusive purpose of: (a) providing benefits to participants and their beneficiaries and (b) defraying reasonable expenses of administering the Plan; with the care, skill, prudence and diligence under circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; by diversifying investments of the plan so as to minimize risk of large losses, unless under the circumstances it is clearly prudent not to do so. In the event of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

(5) AUTHORIZED INVESTMENTS

The attached Investment Guidelines list investments authorized by the Board. Investments not so listed are prohibited. If on October 1, 2000 investments exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investment may be continued until it is economically feasible to dispose of such investment, but no additional investment may be made.

(6) MATURITY AND LIQUIDITY REQUIREMENTS

The investment portfolio is structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the Board has attempted to match investment maturities with known cash needs and anticipated cash-flow requirements.

(7) PORTFOLIO COMPOSITION

The Investment Guidelines establish parameters for investments and limits on security issues, issuers and maturities. Said Guidelines are commensurate with the nature and size of the funds within control of the Board. The Board believes that the Plan's risk and liquidity posture are, in large part, a function of asset

class mix. The Board has reviewed long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior.

(8) RISK AND DIVERSIFICATION

The Investment Guidelines provide for appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. The Board recognizes the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's strong financial condition enables the Board to adopt a long-term investment perspective.

(9) EXPECTED ANNUAL RATE OF RETURN

The desired investment objective is a long-term rate of return on assets, net of investment expenses, that is at least equal to the actuarial assumption and which is five percent greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return is for the current year, for each of the next several years and for the long-term thereafter. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the Investment Guidelines. Because market performance varies and a fixed percent return may not be meaningful during some periods, the Board has established performance benchmarks for Managers, as set forth in the Internal Controls section of this Investment Policy. Over a complete business cycle, the Plan's overall annualized total return, after deducting investment and transaction costs, should perform above the median of an appropriate universe and above a customized index composed of various market indices weighted by the strategic asset allocation of the Plan's assets.

(10) THIRD-PARTY CUSTODIAL AGREEMENTS

All assets shall be held by a third party, and all securities purchased by, and all collateral obtained by, the Board shall be properly designated as an asset of the Plan. No withdrawal of assets, in whole or in part, shall be made except upon authorization by the Board. Securities transactions between a broker-dealer and the Custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis to ensure that the Custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(11) MASTER REPURCHASE AGREEMENT

All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to requirements of the Master Repurchase Agreement. This provision does not restrict or limit the terms of any such Master Repurchase Agreement.

(12) BID REQUIREMENT

The Board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

(13) INTERNAL CONTROLS

The attached system of internal controls and operational procedures has been adopted by the Board and shall be reviewed by its independent certified public accountants as part of any financial audit of the Plan.

In addition, the Board has adopted the following internal controls with reference to selection and review of Money Managers:

A. Selection of Money Managers. The Board, with assistance from the Investment Consultant, has selected, and will select, appropriate Money Managers to manage Plan assets. Managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company or investment adviser, as defined by the Investment Advisers Act of 1940.
2. Provide historical quarterly performance numbers, calculated on a time-weighted basis, based on a composite of fully discretionary accounts of similar investment style, reported net and gross of fees.
3. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.
4. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

B. Duties and Responsibilities of Money Managers. The duties and responsibilities of each Money Manager retained by the Board include:

1. Managing Plan assets under its care, custody and/or control in accordance with this Investment Policy or in accordance with separate written agreements when modification is deemed prudent and desirable by the Board.
2. Exercising investment discretion (including holding cash equivalents as an alternative) within the objectives and guidelines set forth in this Investment Policy.
3. Promptly informing the Board in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:
 - a. Investment Strategy
 - b. Portfolio Structure
 - c. Tactical Approaches
 - d. Ownership
 - e. Organizational Structure

- f. Financial Condition
 - g. Professional Staff
 - h. Recommendations for Guidelines Changes
 - i. All legal, SEC and other proceedings affecting the firm
4. Timely voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan as set forth herein. Each Manager shall keep a detailed record of said proxy voting and related actions and will comply with all regulatory obligations related thereto. Reports of such voting and actions shall be delivered to the Board no less frequently than quarterly.
 5. Utilizing the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use like activities for like retirement plans with like aims in accordance with all applicable laws, rules and regulations from local, state, federal and international political entities as they may pertain to fiduciary duties and responsibilities.
 6. Acknowledging and agreeing in writing to their fiduciary responsibility fully to comply with this entire Investment Policy, as same may be modified from time to time.
- C. Monitoring of Money Managers. Quarterly performance will be evaluated to test progress toward the attainment of long-term targets. The Board understands that there may be short-term periods during which performance deviates from market indices. During such periods, greater emphasis shall be placed on peer performance comparison with managers employing similar styles.

From time to time, but no less than quarterly, the Board will meet to focus on :

1. Manager's adherence to this Investment Policy.
2. Material changes in the Manager's organization, investment philosophy and/or personnel.
3. Comparisons of Manager's results to appropriate indices, specifically the S&P 500 index for Inverness equities, the S&P 400 index for Rhumblin, the Russell 2000 index for Wellington, the MSCI EAFE index for Invesco, and a 50/50 blend of the Lehman Brothers Government/Credit and Government/Credit Intermediate indexes for Inverness fixed income.
4. The risk associated with each Manager's portfolio, as measured by variability of quarterly returns (standard deviation), which should not exceed that of the benchmark index without a corresponding increase in performance above the benchmark index.

In addition, the Board will focus on:

1. The Manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of its respective style universe.
2. The Plan's investment performance results compared to the Manager's overall composite performance figures to determine unaccounted for dispersion between the Manager's reported results and the Plan's results. The Manager shall provide composite data if requested.

The Board is aware that ongoing review and analysis of Money Managers is as important as the due diligence utilized during the manger selection process. Accordingly, a thorough review and analysis of the Money Manager will be conducted if:

1. A Manager performs in the bottom quartile of its peer group over two consecutive quarters or over an annual period.
2. A Manager falls in the "southeast quadrant" of the risk/return scattergram for a three or five-year period.
3. A Manager underperforms its index for four consecutive quarters.

Further, a Manager may be replaced at any time and for any reason, including but not limited to the following:

1. A Manager consistently performs below the median of its peer group over rolling three-year periods.
2. A Manager has a consistently negative alpha over rolling three-year periods.

The following events also warrant immediate review of the Manager:

1. Changes in professional staff.
2. Significant loss of business.
3. Significant increase in business.
4. Change in ownership and/or control.

(14) CONTINUING EDUCATION

All Board members are encouraged and expected to attend continuing education seminars concerning matters related to investments and responsibilities of Board members. Without limiting the foregoing, Board members are pre-authorized to attend certain conferences held within the state of Florida.

(15) REPORTING

The Board shall submit an annual report to the City of Miami Beach. The report shall include investments in the portfolio by class or type, income earned and market value. The annual report shall be available to the public.

(16) FILING OF INVESTMENT POLICY

Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Department of Management Services, the City of Miami Beach and the Actuary. The effective date of this Investment Policy, and any amendment hereto, shall be 31st calendar day following the filing date with the City.

(17) VALUATION OF ILLIQUID INVESTMENTS

Investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism are prohibited.

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

FUND GUIDELINES

FUND OBJECTIVES

To conduct the operations of the Fund in a manner so that the assets will provide the pension benefits provided under the Police and Firemen's Pension Act, City of Miami Beach, Florida, Chapter 23414, Laws of Florida, Special Acts of 1945, as amended.

The Trustees desire to preserve principal and to maximize the rate of return to the fund to meet the actuarial assumptions (e.g., interest earnings, turnover rate, expenses, age of retirement) approved by Trustees.

Investment Guidelines

Fund assets shall be invested in such a way as to provide benefits to participants and beneficiaries and preserve capital.

The investment of the Fund's assets will be sufficiently diversified as to minimize the risk of losses. Factors to be considered in diversification of investments will include but not be limited to the following: The purpose of the Fund; the amount of the Fund assets; Financial, Industrial and Economic conditions.

Types of investment may include bonds, equities, commercial paper, savings accounts, government securities, insurance contracts of Domestic Corporations.

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.
2. Obligations issued by the United States Government or in obligations guaranteed as to principal and interest by the United States Government.
3. Stocks, bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided:
 - A. Equities are traded on one or more of the following recognized national exchanges:
 - 1) New York Stock Exchange
 - 2) American Stock Exchange
 - 3) The NASDAQ Stock Market

INVESTMENT GUIDELINES

- B. Not more than five percent (5%) of the market value of the Fund's total assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company be equal to or exceed five percent (5%) of the outstanding capital stock of the company.
- C. The individual issue meets the following rating criteria:
 - 1) All corporate debt issues (Bonds, Notes, Debentures at time of purchase) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's, Standard and Poors or Fitch's Manual. Any issue which is downgraded to investment grade (the fourth (4th) category) may be held.

Any issue, if downgraded below investment grade by two (2) of the three (3) of the above mentioned ratings services must either be sold or specifically approved for retention by the Board.
 - 2) Commercial Paper: Moody's P1 or Standard and Poors A1
- 4. Bonds issued by the State of Israel.
- 5. The use of unhedged and/or leveraged derivatives will not be allowed in any form.
- 6. Foreign stocks, bonds or other evidence of indebtedness denominated in United States Dollars may be bought provided:
 - A. Equities are traded on one or more of the following recognized national exchanges:
 - 1) New York Stock Exchange
 - 2) American Stock Exchange
 - 3) The NASDAQ Stock Market
 - B. The individual issue meets the following rating criteria:

All corporate debt issues Bonds, Notes, Debentures shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's, Standard and Poors, or Fitch's Manual.

Any issue if downgraded below the third (3rd) category by two (2) of the three (3) of the above mentioned ratings services must either be sold or specifically approved for retention by the Board.

INVESTMENT GUIDELINES

7. In addition to the above, Inverness Counsel, Inc. is subject to the following specific guidelines:
 - A. Equities managed by Inverness Counsel will be limited to no more than 60% of the market value of the Inverness managed portion of the Fund. If at the end of any month the actual percent exceeds fifty-five percent (55%), the manager shall immediately notify the Board and the Consultant.
 - B. Not more than five percent (5%) of the total assets managed by Inverness Counsel, at cost, shall be invested in foreign (exclusive of State of Israel) stocks, bonds or other evidences of indebtedness.
8. Anything herein to the contrary notwithstanding, up to \$10,000,000 may be initially invested in an S&P Mid Cap 400 Index which does not contain any foreign issues.
9. Anything herein to the contrary notwithstanding, up to \$10,000,000 may be initially invested in small company stocks, and after July 1, 2002, up to an additional \$10,000,000, defined generally as stocks of companies whose market capitalization is within that of the Russell 2000 Index. The investment may be held in the form of an individually managed portfolio or a common/pooled/mutual fund. If a common/pooled/mutual fund is used, foreign stocks, as specified in these Guidelines may be included not to exceed 10% of the value of said particular fund.
10. Up to \$12,000,000 may be initially invested in foreign stocks. The restrictions of paragraph 6A above shall not apply to this portion of the Fund. This portfolio shall be in addition to any foreign investments made by other managers.
11. Foreign securities shall mean stocks, bonds, or other evidence of indebtedness, of companies which are organized and are existing under laws other than those of a State within the United States. No more than ten percent (10%) of the Fund's total assets, at cost, may be invested in foreign (exclusive of the State of Israel) securities.

INVESTMENT MANAGER

The Trustees will select a professional Investment Manager(s), that meet(s) the definition of that term in Section 3(38) of E.R.I.S.A., who will provide the Trustees with a statement of fiduciary responsibility. The Trustees will provide that Manager(s) certain guidelines, including, but not limited to, the interest assumption necessary to support the actuarial soundness of the Plan, the cash liquidity necessary to provide monthly pensions, and the current and projected cash flow into the Fund.

INVESTMENT GUIDELINES

INVESTMENT REVIEW

The Trustees will monitor the Investment Manager(s) by periodically reviewing the investment portfolio and determining if the results meet with the objectives and purposes of the Plan.

The Investment Manager shall within five (5) business days, after such occurs, notify the Board if any investment no longer meets these guidelines.

Revised September 23, 2004

**ADDENDUM TO
STATEMENT OF INVESTMENT POLICY FOR
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH
DROP ACCOUNTS**

The Retirement Board (the "Board") of City Pension Fund for Firefighters and Police Officers in the City of Miami Beach, as Named Fiduciary and Plan Administrator hereby adopts the following Statement of Investment Policy for its DROP Plan (the "Plan"), effective September 23, 2004.

I. Statement of Funding Policy and Method

The principal purpose of the DROP Plan is to provide certain benefits upon actual retirement and thereafter. Thus, the principal goal of the investment of the funds in the Plan should be both security and long-term stability with moderate growth expectations. The Plan will be funded with deposits and reinvestment of income in an IRS-qualified retirement plan and trust exempt from income tax under IRC Section 501(a).

II. Purpose

The Board of Trustees being the Plan Fiduciaries are charged with the overall responsibility under the law to manage the Plan's assets prudently on behalf of the participants pursuant to certain standards of conduct. The general purpose of this Investment Policy Statement is to assist the Board in discharging their responsibility to supervise, monitor and evaluate the investment of DROP Plan assets and to set forth the investment standards expected.

Therefore, this Statement is compiled so that the Board defines a formal set of investment objectives, guidelines and procedures for the management of the DROP Plan assets. It shall be subject to the terms of the Plan documents and any Plan Service Agreement entered into by the Board and other Fiduciaries. Any DROP Plan Investment Consultant may rely upon the Statement for guidance in order to make recommendations to the Board regarding the selection and monitoring of investments in the DROP Plan. Effective communications between the Board, consultants and money management firms is encouraged.

III. Objectives

The primary investment objective of the DROP Plan is to offer the participants a range of investment choices to permit diversification among different asset classes and the opportunity for the growth of their accounts. The objectives are further defined as follows:

- A. To provide sufficient investment choices so that DROP participants will be able to choose the investment mix that may fall within a full range of risk and return characteristics they deem appropriate for themselves.
- B. To provide sufficient investment choices so that the asset classes selected shall be such that, taken together, participants will have a reasonable opportunity to materially affect the potential investment returns in their accounts, while at the same time controlling risk or volatility.

- C. To provide sufficient investment choices so that participants will have adequate opportunity to diversify so as to reduce the risk of loss.

IV. Guidelines

- A. Investment alternatives for the participants shall be determined solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries.
- B. Investment alternatives for the participants shall be determined with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and aims.
- C. The Board will engage the services of investment professionals (Consultants). The Consultants are expected to exhibit a general understanding of the Fiduciary aspects of relevant statutes, regulations, case law and investment theory and practice. The Consultants will provide a review of the investment performance as it relates to the criteria in this document not less frequently than annually, and otherwise perform in accordance with the terms of any servicing agreement. The Consultants are responsible for frequent and open communication with the Board with respect to all significant matters pertaining to this Statement and the management of the Plan's assets. Any change to this Investment Policy Statement or the plan provisions will be communicated in writing on a timely basis to all interested parties.
- D. **The responsibility of the Board and its fiduciaries ends with the selection and monitoring of DROP investment performance. Individual investment decisions and asset allocations made by DROP participants are solely within the discretion of the member and are not the responsibility of the Board. DROP participants are urged to consult with their accountant and/or an investment professional in selecting self-directed investments which are consistent with the financial needs of the member. DROP participants are also urged to monitor investment performance as they would for their personal portfolios.**

V. DROP Participant Direction

- A. All current DROP Participants (at the time of the initial implementation of the Employee-Directed Option) shall be given a choice between the following investment vehicles:
 - 1. A variable investment return credited annually, equal to the investment return experienced by the Pension Fund as a whole, net of investment and administrative expenses (called "The Fund Rate Option"), or
 - 2. A variable investment return based upon the actual performance of various investment funds in which they choose to invest (called "The Employee-Directed Option"), net of investment and administrative expenses.

Once the Employee-Directed Option is elected, a DROP Participant may not change back to the Fund Rate. It is an irrevocable election. Any current DROP Participants who fail to make an election hereunder, shall be deemed to have elected the Fund Rate and shall remain therein unless directed otherwise. All current DROP

Participants electing the Fund Rate (whether by explicit or deemed election) may change that election to enter the Employee-Directed Option, but only to be effective October 31, November 30, or December 31, 2002. However, the actual transfer of funds to the self-directed account shall be deferred until the interest credit for the period ending on the election effective date has been determined.

- B. Future DROP participants shall be required to use the Employee-Directed Option.
- C. The Investment Policy Statement for The Fund Rate Option shall be the Investment Policy Statement adopted by the Board for the Pension Fund as a whole.
- D. DROP Participants electing The Employee-Directed Option shall be given control over the investment allocation process. This shall include the right to change investment allocations of existing account balances and future contributions at least once every three months. Participants shall also be given any and all information that the Board deems necessary for participants to understand the investment funds and to make informed investment decisions. Participants shall have the right to direct the investment of certain funds contributed to the Plan as specified in the Plan documents among the investment fund alternatives chosen by the Board.

VI. Asset Classes (The Employee-Directed Option)

- A. Broad Asset Classes shall be selected by the Board. Individual investment alternatives shall be selected by the Board which represent the respective Asset Classes.
- B. Asset Classes shall be selected based upon general non-correlation of returns, fundamentally dissimilar underlying instruments, and generally accepted investment standards. Consideration shall also be given to the number of separate investment alternatives deemed prudent by the Board. Asset Classes considered may include:

- Large Company Stock
- Mid-Size Company Stock
- Small Company Stock
- Foreign Stock
- Balanced Funds
- Fixed Income
- Stable Value (GIC)
- Money Market

- C. As a result of review and analysis, and in consideration of the criteria outlined in this policy, the Board has selected the Asset Classes outlined in Appendix A, as attached hereto. It is understood that this list is dynamic and subject to change by amendment of this Policy.

VII. Implementation Procedure (Employee-Directed Option)

- A. The Board shall use business judgment in selecting investment products such as open-ended mutual funds, insurance investment products, common or collective trust funds, and money manager separate accounts. Passive and active management strategies will be considered. The Board may select, for member-directed investments, a commingled fund, e.g. a group, collective or common trust maintained by a corporate trustee, regardless of whether such trustee is the Plan's trustee, investment manager, or otherwise a party-in-interest of the Plan and that the Board adopts and incorporate the governing provisions of such fund herein.

- B. The following characteristics (when applicable) and others shall be considered in selecting the investment alternatives to be made available to participants:

1. Investment Asset Class and Objective
2. Investment Style Category
3. The Manager(s) and Tenure
4. Acquisition Costs and Ongoing Management Fees including Turnover
5. Investment Record - Total Returns (Net of Expenses) on a Time-weighted basis over 1-, 3-, and 5-year periods
6. Risk Characteristics - Standard Deviation, Beta Calculations and Morningstar downside risk measures
7. Risk-Adjusted Return Measurements - Sharpe Ratio, Alpha Returns and Morningstar Category Ratings
8. Financial Characteristics

- | | |
|------------------------------|----------------------------|
| a. <i>Equities</i> | b. <i>Debt Instruments</i> |
| Price/Earnings Ratios | Duration |
| Price/Book Ratios | Average Effective Maturity |
| Median Market Capitalization | Credit Quality |
| Number of Securities Held | Average Weighted Coupon |
| Concentration | Composition of Fund |
| Assets Under Management | Yield Measures |
| Sector Weightings | Assets Under Management |
| Earnings Growth | |
| Composition of Fund | |
| Country/Region Weightings | |

- C. Miscellaneous Criteria - In selecting the specific investments to be made available to participants, the Board may consider the following additional criteria:

1. Nature and frequency of investment reports
2. Availability and access to administrator
3. Corresponding costs and expenses associated with plan recordkeeping
4. Quantitative and qualitative due diligence regarding the money managers
5. Name Recognition

VIII. Criteria for Selection/Retention of Investment Alternatives (The Employee-Directed Option)

- A. Each investment alternative shall be measured against Benchmark Returns. The Benchmark Returns for each investment alternative shall be the lesser of the returns of an appropriately selected and publicly available Index and the average (or median) net returns of an appropriately selected peer group(s) universe(s) of similarly managed funds. The appropriate selection of Indexes and Funds shall be made on the advice of the Investment Consultant and shall have financial characteristics appropriate to the particular intended style of the respective investment alternatives being measured.
- B. The performance of each investment may be measured against additional standards and benchmarks established by the Board from time to time as criteria for continued retention of each investment. The following information may be considered in determining if an investment option should be replaced.

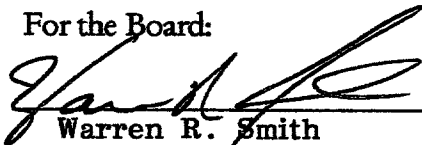
1. Various portfolio statistics including average market capitalization and price-to-book/price-to-earnings ratios for equities and average credit quality and average maturity/duration for debt instruments that demonstrate a departure from the initial or stated investment style (discipline).
2. Termination of the manager, material change in the management team or change in ownership.
3. Increase in direct and indirect expenses.
4. A trend of increasing volatility expressed by standard deviation or downside volatility.
5. A net return lower than the Benchmark in any four consecutive calendar quarters.
6. An average net return lower than the Benchmark for the three year period ending on a calendar quarter.
7. Sharpe Ratios and/or Morningstar Category Ratings lower than the Benchmark for the three year period ending on a calendar quarter.
8. Marked increase in assets under management.
9. Any other information that may lead the Board to believe the fund is not fulfilling the intent and purpose of this Policy.

The Board acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Board intends to evaluate manager performance from a long-term perspective.

- C. Qualitative due diligence of each fund may (but need not) be conducted through annual written or oral interviews with appropriate parties at each investment manager. Any issue materially affecting the management staff and investment process associated with each fund will be considered, including:

1. Changes to the management team or the firm's ownership.
2. Modifications to the fund's investment policy, philosophy and decision process.
3. Deviation of investment style, regulatory action, and investigation or litigation by a government agency.

For the Board:


Warren R. Smith
Title Chairman

Date September 23, 2004

Appendix A

SELECTION OF FUNDS TO FULFILL THE STATEMENT OF INVESTMENT POLICY

FOR

City Pension Fund for Firefighters and Police Officers in the City of Miami Beach

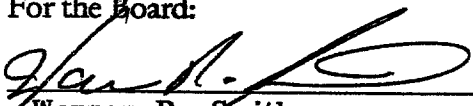
EMPLOYEE-DIRECTED - DROP ACCOUNTS

Amended Sept. 23, 2004

Pursuant to our Statement of Investment Policy, effective September 23 2004, the Board as the Plan Fiduciary(ies) has selected the following investment alternatives representing the stated asset classes:

Asset Class	Fund	Description
Equity	ING VP Index Plus LargeCap Portfolio-Class R	Large – Cap Blend
Equity	ING T. Rowe Price Growth Equity Portfolio-Initial Class	Large – Cap Growth
Equity	Lord Abbett Growth and Income Portfolio	Large – Cap Value
Equity	ING VP Index Plus MidCap Portfolio-Class R	Mid – Cap Blend
Equity	ING VP Index Plus SmallCap Portfolio-Class R	Small – Cap Growth
Equity	ING American Century Small Cap Value Fund Institutional	Small – Cap Value
International Equity	ING VP International Value Portfolio-Class R	Foreign Stocks
Balanced	ING VP Balanced Portfolio, Inc.-Class R	Domestic Stocks and Bonds
Bonds	Fidelity VIP Inv. Grade Bond Portfolio-Initial Class	Intermediate Term Bonds
Stable Value	ING Fixed Account-457/401	Guaranteed Investment Account
Short Term Fixed Income	ING VP Money Market Portfolio-Class R	Money Market Fund

For the Board:



Warren R. Smith
Title Chairman

Date September 23, 2004

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The principal purpose of the DROP Plan is to provide certain benefits upon actual retirement and thereafter. Thus, the principal goal of the investment of the funds in the Plan should be both security and long-term stability with moderate growth expectations. The Plan will be funded with deposits and reinvestment of income in an IRS-qualified retirement plan and trust exempt from income tax under IRC Section 501(a).

II. Purpose

The Board of Trustees being the Plan Fiduciaries are charged with the overall responsibility under the law to manage the Plan's assets prudently on behalf of the participants pursuant to certain standards of conduct. The general purpose of this Investment Policy Statement is to assist the Board in discharging their responsibility to supervise, monitor and evaluate the investment of DROP Plan assets and to set forth the investment standards expected.

Therefore, this Statement is compiled so that the Board defines a formal set of investment objectives, guidelines and procedures for the management of the DROP Plan assets. It shall be subject to the terms of the Plan documents and any Plan Service Agreement entered into by the Board and other Fiduciaries. Any DROP Plan Investment Consultant may rely upon the Statement for guidance in order to make recommendations to the Board regarding the selection and monitoring of investments in the DROP Plan. Effective communications between the Board, consultants and money management firms is encouraged.

III. Objectives

The primary investment objective of the DROP Plan is to offer the participants a range of investment choices to permit diversification among different asset classes and the opportunity for the growth of their accounts. The objectives are further defined as follows:

- A. To provide sufficient investment choices so that DROP participants will be able to choose the investment mix that may fall within a full range of risk and return characteristics they deem appropriate for themselves.
- B. To provide sufficient investment choices so that the asset classes selected shall be such that, taken together, participants will have a reasonable opportunity to materially affect the potential investment returns in their accounts, while at the same time controlling risk or volatility.

- C. To provide sufficient investment choices so that participants will have adequate opportunity to diversify so as to reduce the risk of loss.

IV. Guidelines

- A. Investment alternatives for the participants shall be determined solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries.
- B. Investment alternatives for the participants shall be determined with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and aims.
- C. The Board will engage the services of investment professionals (Consultants). The Consultants are expected to exhibit a general understanding of the Fiduciary aspects of relevant statutes, regulations, case law and investment theory and practice. The Consultants will provide a review of the investment performance as it relates to the criteria in this document not less frequently than annually, and otherwise perform in accordance with the terms of any servicing agreement. The Consultants are responsible for frequent and open communication with the Board with respect to all significant matters pertaining to this Statement and the management of the Plan's assets. Any change to this Investment Policy Statement or the plan provisions will be communicated in writing on a timely basis to all interested parties.
- D. **The responsibility of the Board and its fiduciaries ends with the selection and monitoring of DROP investment performance. Individual investment decisions and asset allocations made by DROP participants are solely within the discretion of the member and are not the responsibility of the Board. DROP participants are urged to consult with their accountant and/or an investment professional in selecting self-directed investments which are consistent with the financial needs of the member. DROP participants are also urged to monitor investment performance as they would for their personal portfolios.**

V. DROP Participant Direction

- A. All current DROP Participants (at the time of the initial implementation of the Employee-Directed Option) shall be given a choice between the following investment vehicles:
 - 1. A variable investment return credited annually, equal to the investment return experienced by the Pension Fund as a whole, net of investment and administrative expenses (called "The Fund Rate Option"), or
 - 2. A variable investment return based upon the actual performance of various investment funds in which they choose to invest (called "The Employee-Directed Option"), net of investment and administrative expenses.

Once the Employee-Directed Option is elected, a DROP Participant may not change back to the Fund Rate. It is an irrevocable election. Any current DROP Participants who fail to make an election hereunder, shall be deemed to have elected the Fund Rate and shall remain therein unless directed otherwise. All current DROP

Participants electing the Fund Rate (whether by explicit or deemed election) may change that election to enter the Employee-Directed Option, but only to be effective October 31, November 30, or December 31, 2002. However, the actual transfer of funds to the self-directed account shall be deferred until the interest credit for the period ending on the election effective date has been determined.

- B. Future DROP participants shall be required to use the Employee-Directed Option.
- C. The Investment Policy Statement for The Fund Rate Option shall be the Investment Policy Statement adopted by the Board for the Pension Fund as a whole.
- D. DROP Participants electing The Employee-Directed Option shall be given control over the investment allocation process. This shall include the right to change investment allocations of existing account balances and future contributions at least once every three months. Participants shall also be given any and all information that the Board deems necessary for participants to understand the investment funds and to make informed investment decisions. Participants shall have the right to direct the investment of certain funds contributed to the Plan as specified in the Plan documents among the investment fund alternatives chosen by the Board.

VI. Asset Classes (The Employee-Directed Option)

- A. Broad Asset Classes shall be selected by the Board. Individual investment alternatives shall be selected by the Board which represent the respective Asset Classes.
- B. Asset Classes shall be selected based upon general non-correlation of returns, fundamentally dissimilar underlying instruments, and generally accepted investment standards. Consideration shall also be given to the number of separate investment alternatives deemed prudent by the Board. Asset Classes considered may include:

- Large Company Stock
- Mid-Size Company Stock
- Small Company Stock
- Foreign Stock
- Balanced Funds
- Fixed Income
- Stable Value (GIC)
- Money Market

- C. As a result of review and analysis, and in consideration of the criteria outlined in this policy, the Board has selected the Asset Classes outlined in Appendix A, as attached hereto. It is understood that this list is dynamic and subject to change by amendment of this Policy.

VII. Implementation Procedure (Employee-Directed Option)

- A. The Board shall use business judgment in selecting investment products such as open-ended mutual funds, insurance investment products, common or collective trust funds, and money manager separate accounts. Passive and active management strategies will be considered. The Board may select, for member-directed investments, a commingled fund, e.g. a group, collective or common trust maintained by a corporate trustee, regardless of whether such trustee is the Plan's trustee, investment manager, or otherwise a party-in-interest of the Plan and that the Board adopts and incorporate the governing provisions of such fund herein.

- B. The following characteristics (when applicable) and others shall be considered in selecting the investment alternatives to be made available to participants:

1. Investment Asset Class and Objective
2. Investment Style Category
3. The Manager(s) and Tenure
4. Acquisition Costs and Ongoing Management Fees including Turnover
5. Investment Record - Total Returns (Net of Expenses) on a Time-weighted basis over 1-, 3-, and 5-year periods
6. Risk Characteristics - Standard Deviation, Beta Calculations and Morningstar downside risk measures
7. Risk-Adjusted Return Measurements - Sharpe Ratio, Alpha Returns and Morningstar Category Ratings
8. Financial Characteristics

a. *Equities*

Price/Earnings Ratios
Price/Book Ratios
Median Market Capitalization
Number of Securities Held
Concentration
Assets Under Management
Sector Weightings
Earnings Growth
Composition of Fund
Country/Region Weightings

b. *Debt Instruments*

Duration
Average Effective Maturity
Credit Quality
Average Weighted Coupon
Composition of Fund
Yield Measures
Assets Under Management

- C. Miscellaneous Criteria - In selecting the specific investments to be made available to participants, the Board may consider the following additional criteria:

1. Nature and frequency of investment reports
2. Availability and access to administrator
3. Corresponding costs and expenses associated with plan recordkeeping
4. Quantitative and qualitative due diligence regarding the money managers
5. Name Recognition

VIII. Criteria for Selection/Retention of Investment Alternatives (The Employee-Directed Option)

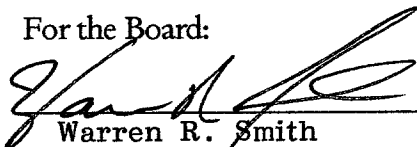
- A. Each investment alternative shall be measured against Benchmark Returns. The Benchmark Returns for each investment alternative shall be the lesser of the returns of an appropriately selected and publicly available Index and the average (or median) net returns of an appropriately selected peer group(s) universe(s) of similarly managed funds. The appropriate selection of Indexes and Funds shall be made on the advice of the Investment Consultant and shall have financial characteristics appropriate to the particular intended style of the respective investment alternatives being measured.
- B. The performance of each investment may be measured against additional standards and benchmarks established by the Board from time to time as criteria for continued retention of each investment. The following information may be considered in determining if an investment option should be replaced.

1. Various portfolio statistics including average market capitalization and price-to-book/price-to-earnings ratios for equities and average credit quality and average maturity/duration for debt instruments that demonstrate a departure from the initial or stated investment style (discipline).
2. Termination of the manager, material change in the management team or change in ownership.
3. Increase in direct and indirect expenses.
4. A trend of increasing volatility expressed by standard deviation or downside volatility.
5. A net return lower than the Benchmark in any four consecutive calendar quarters.
6. An average net return lower than the Benchmark for the three year period ending on a calendar quarter.
7. Sharpe Ratios and/or Morningstar Category Ratings lower than the Benchmark for the three year period ending on a calendar quarter.
8. Marked increase in assets under management.
9. Any other information that may lead the Board to believe the fund is not fulfilling the intent and purpose of this Policy.

The Board acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Board intends to evaluate manager performance from a long-term perspective.

- C. Qualitative due diligence of each fund may (but need not) be conducted through annual written or oral interviews with appropriate parties at each investment manager. Any issue materially affecting the management staff and investment process associated with each fund will be considered, including:
1. Changes to the management team or the firm's ownership.
 2. Modifications to the fund's investment policy, philosophy and decision process.
 3. Deviation of investment style, regulatory action, and investigation or litigation by a government agency.

For the Board:


Warren R. Smith
Title Chairman

Date September 23, 2004

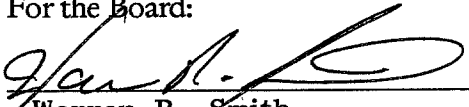
Appendix A

SELECTION OF FUNDS
TO FULFILL THE STATEMENT OF INVESTMENT POLICY
FOR
City Pension Fund for Firefighters and Police Officers in the City of Miami Beach
EMPLOYEE-DIRECTED - DROP ACCOUNTS
Amended Sept. 23, 2004

Pursuant to our Statement of Investment Policy, effective October 1, 2002, the Board as the Plan Fiduciary(ies) has selected the following investment alternatives representing the stated asset classes:

Asset Class	Fund	Description
Equity	ING VP Index Plus LargeCap Portfolio-Class R	Large - Cap Blend
Equity	ING T. Rowe Price Growth Equity Portfolio-Initial Class	Large - Cap Growth
Equity	Lord Abbett Growth and Income Portfolio	Large - Cap Value
Equity	ING VP Index Plus MidCap Portfolio-Class R	Mid - Cap Blend
Equity	ING VP Index Plus SmallCap Portfolio-Class R	Small - Cap Growth
Equity	ING American Century Small Cap Value Fund Institutional	Small - Cap Value
International Equity	ING VP International Value Portfolio-Class R	Foreign Stocks
Balanced	ING VP Balanced Portfolio, Inc.-Class R	Domestic Stocks and Bonds
Bonds	Fidelity VIP Inv. Grade Bond Portfolio-Initial Class	Intermediate Term Bonds
Stable Value	ING Fixed Account-457/401	Guaranteed Investment Account
Short Term Fixed Income	ING VP Money Market Portfolio-Class R	Money Market Fund

For the Board:


Warren R. Smith
Title Chairman

Date September 23, 2004